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Long-Term Financial Obligation Management Policy	B-65	1 of 3

Purpose

To establish a policy governing entering into long-term financial obligations which bear the County of San Diego's name or name of any subordinate Agency for the County.

Background

The County recognizes that it may need to enter into long-term financial obligations to meet the demands of growth, and that these financial obligations must be managed properly. The adoption of a long-term financial strategy and policy is important to ensure sound financial management practices. These policies are general and therefore allow for exceptions in extraordinary conditions. For the purposes of this policy long-term financial obligations are those that exceed one fiscal year. The policy does not apply to leases in which the payments are not "securitized", that is used to make payments on certificates of participation, bonds or similar instruments.

Policy

It is the policy of the Board of Supervisors that the following will apply:

- All long-term financings shall comply with Federal, State and County Charter requirements.
- The County of San Diego has established a Debt Advisory Committee. The members are the Chief Financial Officer/Auditor and Controller, and the Treasurer/Tax Collector.
- All long-term obligations must by approved by the Board of Supervisors after approval by the Debt Advisory Committee. Accompanying each long-term financial obligation will be a cost benefit analysis, the identification of the funding source, an assessment of the ability to repay the obligation, the impact on the current budget, commitments to future budgets, maintenance and operational impact of the facility or asset and the impact on the County's credit rating.
- The project should be incorporated into the County's multi-year capital and equipment improvement plan.
- County Officers shall not enter into a long-term obligation without the approval of the Debt Advisory Committee.
- The term of the long-term obligation for the acquisition, replacement or expansion of physical assets, will not exceed the useful life or the average life of the project or projects being financed.
- Long-term financial obligations will not be used to meet current operations, or for recurring purposes.

- Variable rate obligations shall not exceed 10% of the County's outstanding long-term obligations and must be approved by the Chief Financial Officer.
- The Board of Supervisors may consider conduit financing on behalf of Non-Profit Organizations upon recommendation of the Debt Advisory Committee. Initial contact will be directed to the Debt Advisory Committee and if the Committee decides that the conduit financing is feasible, financially and economically prudent, coincides with the County's objectives, and does not impair the County's creditworthiness, it will then be forwarded to the Board of Supervisors for consideration. All expenses related to the conduit financing will be borne by the applicants.
- The Board of Supervisors may consider Assessment Act Proceedings to provide for public improvements, whether initiated by petition of owners, the County or a non-County agency. Initial contact will be directed to the Debt Advisory Committee and if the Committee decides that the financing is feasible, financially and economically prudent, coincides with the County's objectives, and does not impair the County's creditworthiness, it will then be forwarded to the Board of Supervisors for consideration. All expenses related to the conduit financing will be borne by the applicants.
- The Board of Supervisors may consider long-term financial obligations for the purpose of providing office space/facility to County departments or agencies, upon recommendation of the Debt Advisory Committee. If the Debt Advisory Committee deems the financing to be feasible, financially and economically prudent, coincides with the County's objectives, and does not impair the County's creditworthiness, then it will be forwarded to the Board of Supervisors for consideration.
- Long-term obligations issued through the County must qualify for an investment grade rating by one of the nationally recognized rating agencies or provide alternative credit enhancement to qualify. An exception to this requirement would be when bank qualified private placement bonds are issued through the County to financially assist nonprofit organizations in the acquisition or development of low-income housing. In such cases, the long-term obligations that are privately placed as bank qualified investments would not be required to qualify for an investment grade rating.
- The County shall encourage and maintain good relations with credit rating agencies, investors of the County's long-term financial obligations and those in the financial community who participate in our long-term obligations. A policy of full and open disclosure on every financial report and long-term obligation transaction will be enforced and a credit rating agency presentation/update shall be conducted at least annually.
- The County of San Diego shall comply with all on-going disclosure conditions and shall file such required documents in a timely manner.

- The County of San Diego shall monitor earnings on bond proceeds and rebate excess earnings as required to the U.S. Treasury to avoid the loss of tax-exempt status.
- The County of San Diego will enforce filing notices of completion on all projects within five years of their financing.
- The County shall continually review outstanding obligations and aggressively initiate refinancings when economically feasible and advantageous.
- The Chief Financial Officer will periodically report unspent capital project funds to the Board of Supervisors through quarterly or year-end budget report.

Sunset Date
This policy will be reviewed for continuance by 12-31-08

Board Action
8-11-98 (32)
3-12-2002 (10)

CAO Reference
1. Auditor and Controller
2. Treasurer/Tax-Collector
3. Department of Housing and Community Development